SUPREME COURT, U.S.
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IN THE

Supreme Court of the United States

October Term 1974

No. 74-1037

THE ALLIGATOR COMPANY, INC.,

Petitioner,

—against—

LA CHEMISE LACOSTE and JEAN PATOU, INC.,

Respondents.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

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The Alligator Company, Inc. ("Alligator") prays that a writ of certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Third Circuit entered in this case on December 26, 1974.

Opinions Below

The opinion of the United States Court of Appeals for the Third Circuit dated December 26, 1974 (Appendix A, *infra*, pp. A 1 to A 15) is not yet reported. The opinion of the Court of Appeals for the Third Circuit affirming the order denying the motion of La Chemise Lacoste ("LCL") for a preliminary injunction (Appendix B, *infra*, pp. A 16 to A 19) is reported at 487 F. 2d 312 (3rd Cir. 1973). The opinion of the United States District Court for the District

of Delaware denying LCL's motion to remand the action to the Delaware Court of Chancery for New Castle County (Appendix C, *infra*, pp. A 20 to A 25) is reported in 313 F. Supp. 915 (D. Del. 1970).

Jurisdiction

The judgment of the Court of Appeals dated December 26, 1974 (Appendix D, *infra*, pp. A 26 to A 27) was entered on December 26, 1974. This Court's jurisdiction is invoked under 28 U.S.C. § 1254(1).

Questions Presented

A. When LCL initiated an action in the Delaware state court and Alligator removed it to the United States District Court, could LCL have raised the propriety of the order denying its motion to remand the action to the state court in the Court of Appeals at the time it appealed from an order denying a motion for a preliminary injunction;

B. If so, does LCL's failure to raise the issue at such time, resulting in extensive discovery, motion practice and a trial, cause the issue on the appeal from the judgment entered against it on the merits, to be decided as if LCL had not objected to removal, by the principles enunciated in *Grubbs* v. *General Electric Credit Corporation*, 405 U.S. 699 (1972).

Statutory Provisions Involved

28 U.S.C. § 1441(a) and (b).

"§ 1441. ACTIONS REMOVABLE GENERALLY

(a) Except as otherwise expressly provided by Act of Congress, any civil action brought in a State court of which the district courts of the United States have original juris-

diction, may be removed by the defendant or the defendants, to the district court of the United States for the district and division embracing the place where such action is pending.

(b) Any civil action of which the district courts have original jurisdiction founded on a claim or right arising under the Constitution, treaties or laws of the United States shall be removable without regard to the citizenship or residence of the parties. Any other such action shall be removable only if none of the parties in interest properly joined and served as defendants is a citizen of the State in which such action is brought."

Statement of the Case

Alligator is a Delaware corporation with its principal place of business in New York. It is and has been the owner of at least four federal trademark registrations for the word trademark "Alligator" and nine federal registrations for designs of alligators and crocodiles for apparel. In addition, by agreement dated September 22, 1958, Alligator licensed David Crystal, Inc. ("Crystal") to use as a trademark, for various articles of apparel, a particular design of an alligator or crocodile. That agreement remains in full force and effect between Alligator and Izod, Ltd. ("Izod"), to whom Crystal assigned the agreement in 1959.

In 1969, Jean Patou, Inc. ("Patou"), a New York corporation, commenced to distribute in the United States, with the authorization and consent of LCL, toiletries bearing the identical design of an alligator or crocodile used on apparel by Alligator's licensees. Prior to that time, LCL had filed applications to register the design as a trademark for toiletries and soaps. Alligator opposed LCL's applications in the Patent Office on the basis of its United States trademark registrations and the use of the design by its licensees.

On March 4, 1970, LCL, a French corporation, commenced this declaratory judgment action in the Delaware

state court. Its complaint alleged, *inter alia*, that it owns the design as a trademark, that Alligator has no trademark rights in the field of toiletries, and that Alligator has threatened to bring suit against LCL and against LCL's authorized channel of distribution of toiletries to enjoin such sales.

Alligator filed a petition for removal to the United States District Court for the District of Delaware. In its petition, Alligator pointed out, *inter alia*, that LCL's action was brought to secure a declaratory judgment as to Alligator's rights, which primarily include its rights under certain United States trademark registrations; that the controversy in question was primarily with respect to the extent of Alligator's rights; and that the reference in the complaint to the suit which Alligator threatened to bring was an action in the United States District Court under the Lanham Act for protection of Alligator's rights under its United States trademark registrations. Accordingly, the federal court would have original jurisdiction of the action pursuant to 28 U.S.C. §§ 1331 and 1338, and the action could be removed under 28 U.S.C. § 1441.

LCL's motion to remand the case to the Delaware state court was denied (A 20 to A 25). LCL unsuccessfully attempted to have the removal question certified for review under 28 U.S.C. § 1292(b).

Alligator asserted, *inter alia*, as counterclaims against LCL and as a third-party complaint against Patou that the distribution of toiletries bearing the design infringed Alligator's federally registered trademarks and constituted unfair competition with Alligator.

In 1971 LCL moved for a preliminary injunction against Alligator and other parties. That motion was denied. LCL appealed the denial to the Court of Appeals. It did not appeal the order denying remand. The Court of Appeals

affirmed the denial of LCL's motion for a preliminary injunction, and at the same time affirmed an order, from which LCL had appealed, dropping certain parties to the action. The latter order was not in itself appealable; the issues thereof were held to be incidental to the preliminary injunction motion (A 18).

After extensive motion practice, discovery, another motion by LCL for a preliminary injunction and a six-day trial, the District Court, on March 21, 1974, delivered its opinion* and entered its judgment enjoining LCL and Patou from distributing toiletries bearing the design, declaring that Alligator had the right to use the design on certain articles of apparel, and declaring that Alligator had the right to license third parties to use its trademarks, including the design, on apparel not exclusively licensed to Izod. The latter issues were tenderd by Alligator's counterclaims and LCL's counterclaims in reply.

LCL then appealed again to the Court of Appeals, for the first time raising the issue of removal. The Court held that removal by Alligator to the District Court had been improper and ordered the cause remanded to the District Court with instructions to remand it to the Delaware Chancery Court for New Castle County. The Court of Appeals held that this second appeal was the first opportunity for LCL to raise the issue of removal (A 3).

Reason for Granting the Writ

The Decision of the Third Circuit is in Conflict with the Principles of Decisions of this Court, with Decisions of the Sixth and Second Circuits and with Its Own Prior Decision and Encourages a Party to Reserve the Issue of Jurisdiction until after It has Lost a Trial on the Merits.

The decision of the Court of Appeals, that LCL had no opportunity to raise the issue of removal when LCL ap-

* The opinion of the District Court is reported at 374 F. Supp. 52 (D. Del. 1974).

pealed from the order denying its motion for a preliminary injunction, directly conflicts with its own prior decision, with the decisions of two other Courts of Appeals, and with the principles of decisions of this Court.

In *Mayflower Industries* v. *Thor Corp.*, 184 F. 2d 537, 538 (3rd Cir. 1950), cert. denied, 341 U.S. 903 (1951), the Third Circuit squarely held that where a plaintiff appeals from the denial of a motion for preliminary injunction, "the question of removability is jurisdictional and therefore is before us for consideration once it appears that the case is properly here for review on an appealable order."

In *Kysor Industrial Corporation* v. *Pet, Incorporated*, 459 F. 2d 1010, 1011 (6th Cir. 1972), cert. denied, 409 U.S. 980 (1972), the Sixth Circuit, citing *Mayflower*, held that the denial of a motion for remand is reviewable upon the appeal from the denial of a preliminary injunction.

In *Beech-Nut, Inc.* v. *Warner-Lambert Company*, 480 F. 2d 801 (2nd Cir. 1973), the Second Circuit reviewed an order denying remand upon an appeal of an order denying a motion for a preliminary injunction.

These decisions are consistent with the principle stated by this Court in *Chicago R.I. & Pac. R.R.* v. *Stude*, 346 U.S. 574, 578 (1954), that although an order denying a motion to remand is not appealable by itself, it "may be assigned in a case involving an appealable order. . . ." In *Chicago R.I. & Pac. R.R.* this Court cited *Deckert* v. *Independence Shares Corp.*, 311 U.S. 282, 287 (1940), which decision was relied upon by the Third Circuit in *Mayflower*.

Alligator argued to the Third Circuit on the appeal from the final judgment that under the Court's decision in *Mayflower*, LCL could have raised the propriety of the denial of its motion to remand when it was before the

Court on its appeal from the order denying its motion for a preliminary injunction. The Court rejected the argument by holding that "[t]he within appeal emanates from a final judgment, and in the absence of a certification under § 1292 (b) is the first opportunity in this Court for review of the order denying the petition to remand" (A 3).

Since the Court of Appeals erroneously held that LCL had no opportunity to raise the issue of removal on its first appeal, the Court never considered the applicability of *Grubbs* v. *General Electric Credit Corporation*, 405 U.S. 699 (1972). Instead, the Court stated that its analysis was consistent with *Grubbs* because "plaintiff did all it could have done by way of seeking a review of the denial of its motion to remand" (A 3, footnote 1).

In *Grubbs*, this Court held:

> "Longstanding decisions of this Court make clear, however, that where after removal a case is tried on the merits without objection and the federal court enters judgment, the issue in subsequent proceedings on appeal is not whether the case was properly removed, but whether the federal district court would have had original jurisdiction of the case had it been filed in that court." 405 U.S. at 702.

In *Grubbs*, no objection was made to removal. Here, although LCL initially objected, it proceeded to trial without pressing its objection, as it could have, when it appealed the denial of its preliminary injunction motion.

If the *Grubbs* principle is applied, the federal court would have had diversity jurisdiction of LCL's claims against Alligator and of Alligator's claims against LCL when the action was commenced and at the time judgment was entered against LCL. The Court had both an independent basis of jurisdiction of Alligator's third-party complaint against Patou pursuant to 28 U.S.C. § 1338 (a) and (b) and, because Alligator's counterclaim was com-

pulsory and Patou was an additional party to that counterclaim, ancillary jurisdiction, *Moor* v. *County of Alameda*, 411 U.S. 693, 714-715 (1973).

The Court of Appeals' decision can only sanction and encourage a procedure whereby possible objections to the Court's jurisdiction are withheld from review on interlocutory appeals pending the outcome of the litigation. It is simply unconscionable for a party so to control a litigation that he can, by choosing the time he deems appropriate to raise a jurisdictional issue on appeal, cause all proceedings to become a nullity. If LCL had raised the issue of jurisdiction on the first appeal, the Court of Appeals would have been spared the necessity of resolving the preliminary injunction appeal, the District Court would have been spared extensive motion practice and a six day trial, the parties would have been saved enormous work and expense, and years of delay would have been avoided. The Court of Appeals' decision makes inevitable a terrible waste of the time and efforts of the federal courts and the parties and will result in unnecessary delays in finally reaching the merits.

In the American Law Institute, *Study of the Division of Jurisdiction Between State and Federal Courts*, 367-368 (1969), the reporters have stated:

> ". . . this fetish of federal jurisdiction is wholly inconsistent with sound judicial administration and can only serve to diminish respect for a system that tolerates it. Some effective limitation on the raising and consideration of jurisdictional issues seems long overdue.
>
> * * *
>
> "It is necessary and proper to the exercise of Article III power that procedures be devised to require issues of jurisdiction to be timely raised, and to prevent their use to take unfair advantage

of opposing parties or to impede the administration of justice. There should be noted in this connection the many cases holding that principles of res judicata preclude collateral attack on a judgment of a federal court even though the federal court may have acted, or did act, without jurisdiction over the subject matter."

This Court should now hold that the propriety of removal jurisdiction must be raised on the earliest occasion before the Court of Appeals; and, that upon failure to do so, the subsequent assertion of defects in removal jurisdiction should be decided, as if no objection to removal had been made, under the principles of *Grubbs*. The application of *Grubbs* in this case and similar cases will result in material savings of time, money and effort for the courts and the parties.

CONCLUSION

For all the above stated reasons, a writ of certiorari should issue to review the judgment and opinion of the Court of Appeals for the Third Circuit.

Respectfully submitted.

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Appendix A

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

No. 74-1493

LA CHEMISE LACOSTE, a French Corporation,

—against—

THE ALLIGATOR COMPANY, INC., a Delaware Corporation,
Defendant and Third-Party Plaintiff,

—against—

JEAN PATOU, INC., a New York Corporation,
Third-Party Defendant,

LA CHEMISE LACOSTE and JEAN PATOU, INC.,
Appellants.

APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

(Civil Action No. 3876)

OPINION OF THE COURT
(Filed December 26, 1974)

ALDISERT, *Circuit Judge.*

The decisive question posed by this appeal is whether there was proper federal jurisdiction in a declaratory judgment proceeding removed from the Delaware Court of Chancery. The district court refused to remand and proceeded to an adjudication on the merits. Appellants contend here, as they did at the trial level, that because a federal question did not appear in plaintiff's complaint, the case was improperly removed. We agree with the appellants and will vacate the judgment without comment on the merits.

The genesis of this case is a contest between La Chemise Lacoste, a French corporation and the owner of a common law trademark in the emblem of a crocodile, on the one side, and The Alligator Company, Inc., which has federally registered trademarks for the word mark "Alligator" and for the design of a lizard-like reptile, on the other. Lacoste brought this action in Delaware seeking a declaration of its ownership of and right to use the crocodile emblem as a trademark for toiletries, and for an injunction against interference with those rights. In its complaint Lacoste alleged that it is "the lawful owner of [the] crocodile emblem as a trademark for toiletries in Delaware, and elsewhere in the United States, and has the exclusive right to use, and to authorize the use of, said emblem as a trademark on toiletries without authorization or consent of any sort from defendant." Lacoste also averred that its emblem "has been for many years past, widely and famously associated with M. Rene Lacoste, founder and still a principal officer in the management of plaintiff, having originated during M. Lacoste's career as a Davis Cup tennis player as his personal symbol, and having become the commercial property of plaintiff as a trademark identifying its products in Delaware and elsewhere in the United States, in France and generally throughout the world."

Appendix A

Following Judge Layton's denial of the motion to remand, Lacoste unsuccessfully attempted to have the removal question certified for review under 28 U.S.C. § 1292(b). Prior litigation in this court, *La Chemise Lacoste* v. *General Mills, Inc.*, 487 F. 2d 312, 314 (3d Cir. 1973), did not treat the removal issue, but was limited to "the propriety of the denial of a preliminary injunction and, incidentally at least, the propriety of the dismissal of the added parties, since most, if not all, of the alleged infringements sought to be restrained pendente lite are acts of those corporations rather than Alligator." The earlier appeal was not from a final judgment, but from an interlocutory order reviewable under the special provisions of 28 U.S.C. § 1292(a).

The within appeal emanates from a final judgment, and, in the absence of a certification under § 1292(b), *see Climax Chemical Co.* v. *C. F. Braun & Co.*, 370 F. 2d 616, 617 (10th Cir. 1966), *cert. denied*, 386 U.S. 981 (1967), is the first opportunity in this court for review of the order denying the petition to remand. *Chicago, R.I. & Pac. R.R.* v. *Stude*, 346 U.S. 574, 578 (1954); *Wilkins* v. *American Export-Isbrandtsen Lines, Inc.*, 401 F. 2d 151 (2d Cir. 1968); C. Wright, LAW OF FEDERAL COURTS § 41, at 147 (2d ed. 1970). Accordingly, we reject appellee's contention that appellants, by waiting until appeal from final judgment, have waived the right to challenge the denial of the motion to remand.[1]

1. Our analysis in this respect is not inconsistent with *Grubbs* v. *General Elec. Credit Corp.*, 405 U.S. 699, 702 (1972). In the instant case, the trial on the merits did not follow "removal . . . without objection." Rather, plaintiff did all it could have done by way of seeking review of the denial of its motion to remand.

Turning to a resolution of the removal question, we quickly note that Alligator does not contend that Lacoste relied on relief under a federal statute in the state declaratory proceeding. Indeed Alligator's argument follows a very narrow compass. It contends: Lacoste desired state declaratory relief because Alligator had threatened coercive action against Lacoste for using the trademark on toiletries; since this proposed coercive action was federal in nature, Lacoste in fact had filed an action "aris[ing] under the Constitution, laws, or treaties of the United States," 28 U.S.C. § 1331. Consequently, the case satisfied the requirement announced in *Gully* v. *First National Bank*, 299 U.S. 109, 112 (1936)—that the "right or immunity created by the Constitution or laws of the United States must be an element, and an essential one, of the plaintiff's cause of action. *Starin* v. *New York*, 115 U.S. 248, 257; *First National Bank* v. *Williams*, 252 U.S. 504, 512"—and qualified for removal under 28 U.S.C. § 1441(b).

Our analysis begins with an examination of paragraph 10 of Lacoste's complaint:

> Defendant has heretofore wrongfully threatened, and continues to threaten, to interfere with plaintiff's said sale of toiletries identified by said crocodile emblem in Delaware, and elsewhere in the United States, by threatening to bring suit against plaintiff and against one or more of the enterprises constituting said authorized channels of distribution of toiletries to enjoin or curtail said sales.

In its petition for removal Alligator contended:

> The reference in paragraph 10 of the complaint to a suit which Petitioner threatened and intended to

> bring against plaintiff, is to a contemplated action in the United States District Court under the Lanham Act, [15 U.S.C. § 1051 et seq.], for protection of Petitioner's rights under the aforesaid United States Trademark Registrations.

Alligator asserted, and the district court agreed, that had Alligator sued Lacoste for infringement under the Lanham Act, the district court could have had jurisdiction under 28 U.S.C. § 1338. Therefore, Alligator argues that the state action raised a substantial federal question permitting removal.

In denying the motion to remand, the district court reasoned:

> To determine whether a declaratory judgment action raises a federal question, the Court must look to the cause of action which the declaratory defendant threatens to assert; if the threatened action involves a claim under federal law, there exists federal question jurisdiction over the declaratory judgment action. Public Service Commission of Utah v. Wycoff Co., 344 U.S. 237, 73 S. Ct. 236, 97 L. Ed. 291 (1952); e.g., Product Engineering and Manufacturing, Inc. v. Barnes, 424 F. 2d 42, 165 U.S.P.Q. 229 (10th Cir. 1970); Apex Beauty Products Manufacturing Corp. v. Brown Shoe Co., 209 F. Supp. 73 (S.D.N.Y. 1962). Alligator threatened Lacoste with an action for infringement of its federally registered trademark and, under 28 U.S.C. § 1338(a), the District Courts have original jurisdiction of any civil action arising under any Act of Congress relating to trademarks. Therefore, while Lacoste had

an option to seek declaratory relief in a state or federal forum, it cannot deny Alligator's right to have the federal question determined by a federal court by the expedient of artful pleading.

Federal jurisdiction exists here for another reason. Although the normal rule requires that federal jurisdiction is established solely by the complaint, Gully v. First National Bank, 299 U.S. 109, 57 S. Ct. 96, 81 L. Ed. 70 (1936), in certain cases where a question of federal status is involved, the Court may look beyond the complaint to establish jurisdiction; e.g., Fay v. American Systoscope Makers, 98 F. Supp. 278 (S.D.N.Y. 1951); Ulichny v. General Electric, 309 F. Supp. 437 (N.D.N.Y. 1970).

La Chemise Lacoste v. *Alligator Co.*, 313 F. Supp. 915, 917-18 (D. Del. 1970). We do not accept either part of this analysis.

First, any evaluation of the dictum in *Public Service Commission* v. *Wycoff*, 344 U.S. 237 (1952), must proceed from the threshold understanding that the declaratory judgment proceeding there was *federal;* it was not a *state* declaratory proceeding removed to a district court.[2] Thus the precise *Wycoff* dictum refers to an action originating in the federal court: "Where the complaint in an action for [federal] declaratory judgment seeks in essence to assert

2. Similarly, *Product Eng'r & Mfg., Inc.* v. *Barnes*, 424 F. 2d 42 (10th Cir. 1970), and *Apex Prod. Mfg. Corp.* v. *Brown Shoe Co.*, 209 F. Supp. 73 (S.D. N.Y. 1962), originated as federal declaratory judgment actions.

It may also be noted that *Wycoff* and *Product Engineering* resulted in findings of no federal jurisdiction.

a defense to an impending or threatened state court action, it is the character of the threatened action, and not of the defense, which will determine whether there is federal-question jurisdiction in the District Court." *Ibid.* at 248.[3]

Although we applied the *Wycoff* teaching to a federal declaratory judgment act proceeding, *Thiokol Chemical Corp.* v. *Burlington Industries, Inc.*, 448 F. 2d 1328, 1330-31 (3d Cir. 1971), *cert. denied*, 404 U.S. 1019 (1972), we have not been directed to, nor has our research disclosed, the application of the *Wycoff* principle to any removal case[4] except that of the district court here.

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3. We note in passing that the *Wycoff* dictum is not adverse to, but rather consistent with, the basic *Gully* rule. Both are jurisdicton limiting. *Gully* and its progeny teach that a district court may not look to the federal defense averred in an answer to establish subject matter jurisdiction. The *Wycoff* principle applicable in federal declaratory actions is that one must look to the character of the threatened coercive action—not to the allegation in the complaint which is more akin to a federal defense—in determining whether there is a substantial federal question. Viewed in this proper perspective, the *Wycoff* principle is merely the federal question corollary of the axiom that the " 'operation of the [federal] Declaratory Judgment Act is procedural only.' *Aetna Life Ins. Co.* v. *Haworth*, 300 U.S. 227, 240 [(1937)]. Congress enlarged the range of remedies available in the federal courts *but did not extend their jurisdiction.*" *Skelly Oil Co.* v. *Phillips Petroleum Co.*, 339 U.S. 667, 671 (1950) (emphasis added).

4. Such a holding would be anomalous. A premise of the *Wycoff* teaching is that "in many actions for declaratory judgment, the realistic position of the parties is reversed." 344 U.S. at 248. The defendant is viewed as the "functional plaintiff." *See Developments in the Law—Declaratory Judgments—1941-1949*, 62 HARV. L. REV. 787, 802-03 (1949). Yet it is axiomatic that a plaintiff may not remove an action to federal court. *See, e.g., Shamrock Oil & Gas Corp.* v. *Sheets*, 313 U.S. 100, 108 (1941). To allow a defendant in a state declaratory action to remove, therefore, would accord to "functional plaintiffs" a right not given other plaintiffs.

Given the factual complex of this case, this is not a distinction without a difference, for, unlike the typical *Wycoff* situation, in the instant case we are constrained both by principles for determining federal question jurisdiction and by those governing removal procedure.

In an unwavering series of cases from 1894 to 1974 the Supreme Court has emphasized that federal question jurisdiction must appear on the face of the complaint. If it does not appear there, "no statement in the petition for removal, . . . of the defendant corporation, can supply that want, under the [then] existing act of Congress." *Tennessee* v. *Union & Planters' Bank*, 152 U.S. 454, 464 (1894); "[T]he controversy must be disclosed upon the face of the complaint, unaided by the answer or by the petition for removal," *Gully* v. *First National Bank*, *supra*, 299 U.S. at 113. This year the Court reiterated: "[t]he federal questions 'must be disclosed upon the face of the complaint, unaided by the answer' ", *Phillips Petroleum Co.* v. *Texaco, Inc.*, 415 U.S. 125, 127-28 (1974) (per curiam).

There is also formidable Supreme Court instruction that the removal procedure, statutory in nature, reflects a congressional policy of severe abridgement of the right to remove a state action to a federal court.

The basic removal statute, 28 U.S.C. § 1441, provides:

> (a) Except as otherwise expressly provided by Act of Congress, any civil action brought in a State court of which the district courts of the United States have original jurisdiction, may be removed by the defendant or the defendants, to the district court of

> the United States for the district and division embracing the place where such action is pending.

The removal procedure makes it clear that the *initial pleading* in the state court must set forth the basis for removal:

> The petition for removal of a civil action or proceeding shall be filed within thirty days after the receipt by the defendant, through service or otherwise, of a copy of the *initial pleading setting forth the claim for relief upon which such action or proceeding is based*, or within thirty days after the service of summons upon the defendant if such *initial pleading* has then been filed in court and is not required to be served on the defendant, whichever period is shorter.

28 U.S.C. § 1446(b) (emphasis added).

In adjuring "strict construction" of removal statutes, the Supreme Court cautions:

> Not only does the language of the Act of 1887 [a precursor to § 1441] evidence the Congressional purpose to restrict the jurisdiction of the federal courts on removal, but the policy of the successive acts of Congress regulating the jurisdiction of federal courts is one calling for the strict construction of such legislation. The power reserved to the states under the Constitution to provide for the determination of controversies in their courts, may be restricted only by the action of Congress in conformity to the Judiciary Articles of the Constitution. "Due regard for the rightful independence of state governments, which should actuate federal courts, re-

> quires that they scrupulously confine their own jurisdiction to the precise limits which the statute has defined." *Healy* v. *Ratta*, 292 U.S. 263, 270; see *Kline* v. *Burke Construction Co.*, 260 U.S. 226, 233, 234; *Matthews* v. *Rodgers*, 284 U.S. 521, 525; cf. *Elgin* v. *Marshall*, 106 U.S. 578.

Shamrock Oil & Gas Corp. v. *Sheets*, 313 U.S. 100, 108-09 (1941). The current statute has been given a similar construction. *American Fire & Casualty Co.* v. *Finn*, 341 U.S. 6, 10 (1951), teaches: "The Congress, in the revision [§ 1441], carried out its purpose to abridge the right of removal." Although addressing itself to a separate and independent cause of action, the Court emphasized "the restrictive policy of Congress against removal," and "its purpose of limiting" removal, and commanded, "[b]y interpretation we should not defeat that purpose." *Ibid.* at 12.

Guided by these strong Supreme Court pronouncements, we decline to transport the dictum of *Wycoff* to the state declaratory action context.

In its alternative holding, however, the court below would disregard these clear pronouncements and suggest an exception influenced by district court decisions in *Fay* v. *Cystoscope Makers, Inc.*, 98 F. Supp. 278 (S.D.N.Y. 1951), and *Ulichny* v. *General Electric Co.*, 309 F. Supp. 437 (N.D.N.Y. 1970). Some courts have carved exceptions to the basic rule where the addition of a party's status alone suffices to make out a federal question or where the plaintiff has concealed the federal nature of his action. The reinforcement of the *Tennessee-Gully* principle in the 1974 *Phillips Petroleum* decision persuades us that the inferior

federal courts should not attempt to engraft exceptions contrary to the legislative policy so zealously protected by the Supreme Court.

Assuming the propriety of the status exceptions recognized in *Fay, supra*,[5] none is applicable to the instant case. But appellee argues on the basis of *Ulichny, supra*, that defendant's status as an owner of federally registered trademarks is one which the court may ascertain independently of the complaint, to arrive at the conclusion that the Lacoste complaint raised a federal question. We reject this argument and the rationale of *Ulichny*. The brute fact is that defendant's status as a federal trademark owner is matter for defense, and, under the *Tennessee-Gully* principle, one wholly inappropriate to the federal question determination. *See, e.g., Skelly Oil Co.* v. *Phillips Petroleum Co.*, 339 U.S. 667, 673-74 (1950).

Appellee next contends this case fits within that line of cases which permits removal where "the plaintiff inadvertently, mistakenly or fraudulently conceals the federal question that would necessarily have appeared if the complaint had been well pleaded." 1A J. Moore, FEDERAL PRACTICE ¶ 0.160, at 187 (2d ed. 1974) & cases cited. Alligator concedes Lacoste's complaint by its terms was bottomed on a declaration for relief under Delaware law. It argues, however, that the reference in paragraph 10 of the complaint—that Alligator was "threatening to bring suit against plaintiff"—was intentionally vague and purpose-

5. "However, where federal jurisdiction hinges on the parties', or one of them, having a particular status, the court may ascertain the existence of that status independently of the complaint. This latter rule has been applied to permit the court to ascertain the existence of diversity of citizenship, and the federal nature of a receiver, a corporation, and a marshal." 98 F. Supp. at 280 (citations omitted).

fully omitted reference to Alligator's trademarks. Therefore, appellee continues, Lacoste concealed the federal nature of the action. We reject this contention.

Alligator arrives at its conclusion by the application of the *federal* declaratory judgment act test of *Wycoff* to a *state* declaratory action. Even were we inclined to apply the *Wycoff test* to a removal proceeding, this approach would not be sufficient to remove this particular state court plaintiff to a federal court. Paragraph 10 of Lacoste's complaint does not specifically assert that Alligator will bring an action based on its federal rights. The complaint merely avers that the defendant is "threatening to bring suit against plaintiff." Nor is it clear, as a matter of practical wisdom[6] or of the record in this case,[7] that Alligator's threatened suit would rely on its federal trademarks. Alligator could have brought one of three types of action against Lacoste: a state common law trademark infringement suit, an unfair competition suit under state law, or an infringement suit based on its federally registered trademarks.

Appellee's final line of defense is that although jurisdiction under the Lanham Act is concurrent, 28 U.S.C. § 1338(a), the law to be applied is exclusively federal; *i.e.*, that federal law preempts the field. Consequently, re-

6. *Cf., e.g., J.H. Smith Co. v. Jordan Marsh Co.*, 161 F. Supp. 659, 660 (D. Mass. 1958).

7. At oral argument, appellee contended that a letter of September 15, 1969, from Alligator counsel to Lacoste counsel, manifested Alligator's intention to rely on its federal trademark rights. That letter, an exhibit to a deposition, was not conclusive as the the nature of a threatened suit and, more importantly, was not admitted into evidence below nor available in the district court until almost three years after Judge Layton's decision on the motion to remand.

moval is proper. We reject this argument. It presupposes the plaintiff sought relief *under* the Lanham Act, which clearly was not the case here. Furthermore, the Lanham Act generally does not preempt state regulation of trademarks, statutory or common law. *Gardner* v. *Clark Oil Refining Corp.*, No. 74-C-452 (E.D. Wis., Oct. 25, 1974); *Fischer* v. *Holiday Inn of Rhinelander, Inc.*, 375 F. Supp. 1351, 1353 (W.D. Wis. 1973); *Application of State of New York*, 362 F. Supp. 922, 927-28 (S.D.N.Y. 1973); *M&D Simon Co.* v. *R.H. Macy & Co.*, 152 F. Supp. 212, 215 (S.D. N.Y. 1957). *But cf., Mister Donut of America, Inc.* v. *Mr. Donut, Inc.*, 418 F. 2d 838, 844 (9th Cir. 1969). Thus, the underlying rationale for *Fay, supra,*—that section 301 of the National Labor Relations Act, 29 U.S.C. § 185, is preemptive, 98 F. Supp. at 280-81—is inapplicable, even by analogy, to trademark cases.

Moreover, in the absence of a preemptive trademark statute, the acute impropriety of relying on the mere probability that the threatened coercive action would be filed in federal court becomes more manifest. A court cannot conclude as a matter of law that the trademark or infringement coercive action, described in a state declaratory judgment complaint, would necessarily be lodged in a federal forum. In dealing with the precise issues of this case, in Professor Moore's felicitous phrase, the litigant "is free to ignore the federal question and pitch his claim on the state ground."[8]

Thus, considering the Supreme Court's instructions that the language of the removal statute "evidence[s] the Congressional purpose to restrict the jurisdiction of the federal courts on removal," and that "the policy of the suc-

8. 1A J. MOORE, FEDERAL PRACTICE ¶ 0.160, at 185 (2d ed. 1974).

cessive acts of Congress" commands "strict construction of such legislation;" and assuming *arguendo* the applicability of *Wycoff* to a state declaratory action, we will not find an implied averment of a threatened federal action where federal relief was only one of three available avenues of litigation. The "character of the threatened action" was not necessarily federal in nature.[9]

We find no averment of federal question jurisdiction in the complaint.[10] Nor does this case fall, within one of the

9. Ample experience indicates that, where a state trademark or infringement action is sought to be removed to federal court on the theory that the action could have been predicated on the Lanham Act, federal courts have been unwilling to find a federal question by implication and have remanded to state courts. *Fischer* v. *Holiday Inn of Rhinelander, Inc.*, 375 F. Supp. 1351, 1354 (W.D. Wis. 1973); *Cue Publ. Co.* v. *Colgate-Palmolive Co.*, 233 F. Supp. 443 (S.D.N.Y. 1964); *Fluidless Non-Tact Lenses, Inc.* v. *Klear Vision Contact Lens Specialists, Inc.*, 158 F. Supp. 145, 146 (S.D.N.Y. 1958); *M & D Simon Co.* v. *R.H. Macy & Co.*, 152 F. Supp. 212, 216 (S.D.N.Y. 1957).

10. A proposed amendment to the removal statute, the Federal Court Jurisdiction Act of 1971, S. 1876, 92nd Cong., 1st Sess., incorporating the suggestions of the American Law Institute, would change the result we reach. Section 1312 would provide:

> (a) Except as otherwise provided by Act of Congress, a civil action brought in a State court may be removed to the district court of the United States for the district embracing the place where such action is pending:
>
> * * * *
>
> (2) If the amount in controversy exceeds the sum or value of $10,000, exclusive of interest and costs, by any defendant, *or any plaintiff*, by or against whom, subsequent to the initial pleading, a *substantial defense* arising under the Constitution, laws, or treaties of the United States is properly asserted that, if sustained, would be dispositive of the action or of all counterclaims therein.

ALI, STUDY OF THE DIVISION OF JURISDICTION BETWEEN STATE AND FEDERAL COURTS § 1312, at 25 (1969) (emphasis added).

(Footnote continued on next page)

accepted exceptions to the fundamental *Tennessee Gully* rule. The petition for remand to the state court should have been granted.

The judgment of the district court will be vacated and the proceedings remanded with a direction to remand to the Delaware Chancery Court for New Castle County.

(footnote continued from previous page)

In introducing the bill, Senator Burdick stated, *inter alia*: "The most important change required by this rationale is to permit removal on the basis of a Federal defense or counterclaim. The need for a Federal forum is as great for the defendant who relies on Federal law to defeat a State-created claim as it is for the plaintiff whose claim is derived from Federal law." 117 CONG. REC. 15089 (1971).

Appendix B

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

No. 72-1111

LA CHEMISE LACOSTE, a French Corporation,

Appellant,

—against—

GENERAL MILLS, INC., a Delaware Corporation,

DAVID CRYSTAL, INC., a Delaware Corporation and IZOD, LTD., a New York Corporation as Additional Defendants Under Rule 19,

Appellees,

THE ALLIGATOR COMPANY, INC., a Delaware Corporation,

Defendant and Third-Party Plaintiff, Appellee,

—against—

JEAN PATOU, INC., a New York Corporation,

Third-Party Defendant.

Decided Sept. 6, 1973.
As Amended Nov. 1, 1973.

HASTIE, Circuit Judge.

This litigation began with a complaint filed in the district court by La Chemise Lacoste, a French corporation, against the Alligator Company, Inc., a Delaware corpora-

tion. The relief sought was a declaratory judgment that Lacoste owned a certain crocodile emblem as a trademark for toiletries and was entitled to sell toiletries bearing that emblem in the United States.

Responding to this complaint, Alligator pleaded that Lacoste, acting through Jean Patou, Inc., a New York corporation, as its exclusive distributor, had violated Alligator's trademark rights and had competed unfairly by marketing in the United States toiletries so marked as to infringe its alligator emblem and trademark. Patou, as the instrumentality through which Lacoste had acted, was joined as a third-party defendant to affirmative request by Alligator for a determination of trademark rights between Alligator and Lacoste.

At this stage the litigation was essentially a controversy over the use of lizard-like emblems on toiletries and the pleadings showed that decision would be required upon conflicting claims to trademark rights in such emblems so used.

Lacoste then answered the charge in Alligator's counterclaim that it was violating Alligator's trademark rights and undertook to add as unwilling parties defendant three other American corporations: General Mills, Inc., Izod, Ltd. and David Crystal, Inc., though neither Lacoste nor Alligator had theretofore sought relief against these corporations. Lacoste treated this joinder as a matter of right under Rule 19(a), Federal Rules of Civil Procedure.

Thereafter, the cause came on for hearing on a motion of Lacoste for a preliminary injunction restraining General Mills, Alligator, Izod and Crystal from "diluting the distinctiveness of . . . [Lacoste's] common law trade marks, 'Chemise Lacoste' and 'Lacoste'," by alleged misuse of a

lizard-like emblem on various articles of apparel. Simultaneously, the court considered a motion by General Mills, Izod and Crystal to dismiss the action as against them on the ground they were misjoined and the further ground that no cause of action had been pleaded against them.

The court granted the motion to dismiss the added parties and denied Lacoste's motion for a temporary injunction. 1971, 53 F.R.D. 596. Lacoste has appealed, thus bringing before us the propriety of the denial of a preliminary injunction and, incidentally at least, the propriety of the dismissal of the added parties, since most, if not all, of the alleged infringements sought to be restrained pendente lite are acts of those corporations rather than Alligator.

We agree with the district court that on the present record General Mills, Izod and Crystal were not subject to compulsory joinder under Rule 19(a). *Cf.* McArthur v. Rosenbaum Co. of Pittsburgh, 3d Cir. 1950, 180 F. 2d 617; Volkswagenwerk Aktiengesellschaft v. Dreer, E.D. Pa. 1963, 224 F. Supp. 744. The pleadings as they existed up to the time of the attempted joinder disclosed only disputes and conflicting claims between Lacoste and Alligator and no relief had been sought against any other person. True, at hearing it was established that General Mills was the sole stockholder of Crystal and had recently acquired all of the stock of Alligator. Moreover, Izod was wholly owned by Crystal. But the district court found, permissibly on this record, that these subsidiaries existed in law and functioned in fact as distinct entities over which, in the district court's language, "Mills does not exercise such control as to conclude that Alligator and Crystal are the *alter egos* of Mills justifying the piercing of the corporate veil. . . ." 53

F.R.D. at 603. We also agree with the district court that it had not acquired personal jurisdiction over Izod, a New York corporation.

Once it is decided that the corporations other than Alligator were not properly joined, the propriety of denying a preliminary injunction becomes very clear. The district court ruled that "to issue a preliminary injunction with respect to Alligator would be to resolve [*in limine*] a serious and novel question of fact and law as between LCL [Lacoste] and Alligator as to which has dominant rights in the crocodile emblem." 53 F.R.D. at 605. We think this appraisal was correct. A meaningful preliminary injunction against Alligator would necessarily have gone beyond the maintenance of the status quo. It would have granted affirmative relief pending final adjudication. Moreover, it was not proved that the requested injunction was essential to the avoidance of immediate irreparable harm to Lacoste. In all the circumstances, we conclude that the denial of a preliminary injunction was a proper exercise of judgment and discretion. *Cf. Penn Galvanizing Co. v. Lukens Steel Co.*, 3d Cir. 1972, 468 F. 2d 1021.

The judgment will be affirmed.

Appendix C

LA CHEMISE LACOSTE, a French Corporation,

Plaintiff,

—against—

THE ALLIGATOR COMPANY, INC., a Delaware Corporation,

Defendant and Third-Party Plaintiff,

—against—

JEAN PATOU, INC.,

Third-Party Defendant.

Civ. A. No. 3876.
United States District Court,
D. Delaware.

June 4, 1970.

LAYTON, *District Judge*.

This case was removed from the Court of Chancery of the State of Delaware by the defendant under 28 U.S.C. § 1441(a). The plaintiff has moved for a remand to the State Court under 28 U.S.C. § 1447(c) for the reasons (1) that there is no federal question presented and, therefore, no jurisdiction to hear the case under § 1441(a) and (2) that the defendant is a Delaware corporation rendering § 1441(b) applicable. After considering briefs and oral arguments of counsel, I am of the opinion that the matter should not be remanded.

La Chemise Lacoste ("Lacoste"), a French corporation not doing business in Delaware, brought suit against The

Appendix C

Alligator Corporation ("Alligator") in the Court of Chancery seeking a declaration that Lacoste owned the common law trademark rights to a reptile figure placed on bottles of toiletry, and injunction against Alligator from interfering with Lacoste's use of this symbol on toiletries anywhere in the United States. Alligator, a Delaware corporation, has been engaged in the manufacture of raincoats in the United States since around 1909. In its manufacture of raincoats, Alligator adopted the use of a reptile figure which became associated with the Alligator company. Its ownership of the common law trademark rights to this figure was established and it was registered as a federal trademark under the Lanham Act, 15 U.S.C. § 1051 et seq. Lacoste, operating in France, also established as its landmark a reptile figure which was the symbol of its owner, a one-time Davis Cup tennis player of international reputation. Lacoste acquired the French registration of this figure. In the 1950's, Lacoste attempted to import shirts with the reptile figure on them and became involved in a trademark litigation in the federal courts in New York. This ended in a consent order by which David Crystal was permitted to market the Lacoste wearing apparel in the United States with the approval of Alligator.

The present litigation concerns the use of the reptile figure, claimed to be the trademark of both parties, on toiletries manufactured in France and distributed in the United States by Jean Patou. Lacoste has licensed Patou to use the reptile figure in this connection. It has also attempted to register the reptile figure as its trademark with the United States Patent Office on the strength of the French registration. Alligator resisted this application and advised Lacoste that it would sue Patou for any distribution of the toiletries in the United States under the symbol

of the reptile. Lacoste's response to this was to seek in the Delaware Court of Chancery a declaratory judgment that it owned the common law trademark for the reptile figure in connection with toiletries and an injunction against Alligator from interfering with the sales of Jean Patou. The Patent Office has suspended its hearings, on a motion by Lacoste, pending the outcome of this suit.

Lacoste's position here has been that there is no federal question presented and, therefore, the suit should be remanded to the Chancery Court. They argue they have no federal rights with regards to the reptile symbol and seek a determination only of common law rights. They contend that Patou has acquired these common law rights to the reptile symbol in connection with toiletries by its sales in the United States. Further, Alligator's federal trademark does not extend to reptile figures on toiletries because Alligator, a manufacturer of raincoats, has never marketed perfume of any kind. Finally, they urge that there was a substantial reason to have its common law rights determined in the State Court; namely, that Patou, the distributor, could not be sued in Delaware and it was one of the deliberate objectives of Lacoste to bring suit where the distributor would not be involved.

The argument of the defendants in support of the Court's removal jurisdiction and against remand rests on two prongs. First, they argue that federal question jurisdiction exists for this suit because Lacoste could have brought its declaratory judgment action in a federal court initially. In a declaratory judgment action to determine whether a federal question is present one must look at the underlying coercive action which is sought to be avoided. Here, Lacoste is seeking to avoid a threatened trademark

infringement action and, thus, a federal question is necessarily present. Second, the defendants point to the statement made by Lacoste to the Patent Office requesting a stay on the registration proceedings for the trademark of the reptile symbol in connection with perfume. There Lacoste stated:

> "It is submitted that an examination of this Complaint [Chancery complaint] by this Board will confirm that a determination of the factual and common law issues raised in the Complaint will determine or substantially affect the determination of the factual and statutory issues before this Board in these combined oppositions, and that the outcome of said Civil Action would therefore likely be determinative of, or have a direct and material bearing upon, any decision reached by the Board in these combined oppositions."

This, they say, shows Lacoste itself admits a federal question is present.

The statute providing for removal, 28 U.S.C. § 1441, states in relevant part:

> (a) Except as otherwise expressly pr vided by Act of Congress, any civil action brought in a State court of *which the district courts* * * * *have original jurisdiction*, may be removed by the defendant or the defendants, to the district court of the United States for the district and division embracing the place where such action is pending. (Emphasis added.)

Therefore, the question controlling removal here is whether this is a case under the original jurisdiction of the District

Court;* in short, does the State Court suit arise under federal law?

To determine whether a declaratory judgment action raises a federal question, the Court must look to the cause of action which the declaratory defendant threatens to assert; if the threatened action involves a claim under federal law, there exists federal question jurisdiction over the declaratory judgment action. *Public Service Commission of Utah* v. *Wycoff Co.*, 344 U.S. 237, 73 S.Ct. 236, 97 L.Ed. 291 (1952); e.g., *Product Engineering and Manufacturing, Inc.* v. *Barnes*, 424 F. 2d 42, 165 U.S.P.Q. 229 (10th Cir. 1970); *Apex Beauty Products Manufacturing Corp.* v. *Brown Shoe Co.*, 209 F. Supp. 73 (S.D.N.Y. 1962). Alligator threatened Lacoste with an action for infringement of its federally registered trademark and, under 28 U.S.C. § 1338(a), the District Courts have original jurisdiction of any civil action arising under any Act of Congress relating to trademarks. Therefore, while Lacoste had an option to seek declaratory relief in a state or federal forum, it cannot deny Alligator's right to have the federal question determined by a federal court by the expedient of artful pleading.

Federal jurisdiction exists here for another reason. Although the normal rule requires that federal jurisdiction is established solely by the complaint, *Gully* v. *First National Bank*, 299 U.S. 109, 57 S.Ct. 96, 81 L.Ed. 70 (1936), in certain cases where a question of federal status is involved, the Court may look beyond the complaint to establish jurisdiction; e.g., *Fay* v. *American Cystoscope Makers*, 98 F. Supp. 278 (S.D.N.Y. 1951); *Ulichny* v. *General Electric*, 309 F. Supp. 437 (N.D.N.Y. 1970). In order to determine that Jean Patou owned the common law trademark

* 28 U.S.C. § 1441(b) does not defeat removal because, although Alligator is a Delaware resident, this is a civil action of which the District Courts have original jurisdiction.

rights to the reptile symbol in connection with perfume, the State Court would have to determine that Alligator's federal trademark did not extend that far. Or, in the words of Judge Foley in *Ulichny*, supra, "that status of a federally registered trademark is evident and properly ascertainable here in the search for sufficient presence of a federal law basis that warranted removal." In that suit, the plaintiff sought relief in a State Court to enjoin General Electric from interfering with its use of the name "Hotpoint" in its telephone listing. There, as here, the plaintiff excluded any hint of a federal question from his State complaint by "competent tightrope walking." Nevertheless, the Court held that the real nature of the state claim must govern and not the characterization given by the plaintiff. Likewise, it is the real nature of Lacoste's State claim which must govern here, and on close analysis, it is manifest that it "really and substantially involves a dispute or controversy respecting the validity, construction, or effect of such a [federal] law, upon which the determination of which the result depends." *Gully*, supra, at 114, 57 S. Ct. at 98.

The plaintiff's sole argument against removal is that removal should not be allowed in cases where the plaintiff has expressly denied any attempt to invoke federal question jurisdiction unless federal law has displaced state law in the area. This argument has been specifically rejected: *Espino* v. *Volkswagen de Puerto Rico, Inc.*, 289 F. Supp. 979 (D.P.R. 1968), and fails here also. As above stated, while the plaintiff has the option to seek delaratory relief in either a state or federal forum, this concurrent jurisdiction does not operate to defeat the defendant's right of removal under § 1441.

Submit order.

Appendix D

United States Court of Appeals

FOR THE THIRD CIRCUIT

No. 74-1493

LA CHEMISE LACOSTE, a French Corporation,

—against—

GENERAL MILLS, INC., a Delaware Corporation,

DAVID CRYSTAL, INC., a Delaware Corporation and IZOD, LTD., a New York Corporation as Additional Defendants Under Rule 19, and THE ALLIGATOR COMPANY, INC., a Delaware Corporation,

Defendant and Third-Party Plaintiff,

—against—

JEAN PATOU, INC.,

Third-Party Defendant,

LA CHEMISE LACOSTE and JEAN PATOU, INC.,

Appellants.

(D.C. Civil No. 3876)

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE

Present:

STALEY, ALDISERT and ROSENN,
Circuit Judges.

Appendix D

JUDGMENT

This cause came on to be heard on the record from the United States District Court for the District of Delaware and was argued by counsel.

On consideration whereof, it is now here ordered and adjudged by this Court that the judgment of the said District Court, entered March 21, 1974, be, and the same is hereby vacated, and the cause is remanded to the District Court with instructions to remand the cause to Delaware Chancery Court for New Castle County, all in accordance with the opinion of this Court.

ATTEST:

/s/ T. F. QUINN
T. F. QUINN, Clerk

Dated: December 26, 1974